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## Russian Federation

**Post:** Moscow

## Forestry Trade and Production Update

### Report Categories:

Solid Wood Products

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### Report Highlights:

Wood production has been declining as a result of the economic downturn, a weakening domestic demand for forestry products, and government policy of increasing export tariffs for round wood.

### General Information:

### Author Defined:

### Trade and Production Update

According to the Russian Forestry Council of Producers and Exporters, production output for major wood products in Russia has been declining. The greatest decline was a 14.4 percent drop in the logging sector, followed by a 9.4 percent drop in sawn timber production. The largest decline occurred in the 4<sup>th</sup> quarter of 2008 when logging declined by 31 percent and cellulose production

fell by 26.1 percent.

In addition to the global economic downturn, market analysts attribute the decline in wood production to the following: 1) a weak demand from foreign importers, specifically in the round wood category; and, 2) a gradual increase in the export tariffs for round wood. By the end of 2008, both domestic and export prices for major wood products decreased. As a result, most export oriented facilities reduced their production capacity which led to bankruptcy for a number of smaller forestry companies.

Several new amendments to the Forestry Code have also contributed to the slow down in the sector and increased the operational costs of most medium and small forestry companies. For example, under the new system the responsibilities of the federal government are transferred to the regional authorities in the spheres of forest management, land use, and fire protection. Forest lease holders now must shoulder the burden of additional expenditures, such as reforestation and fire control, causing financial difficulties, especially for smaller companies.

The falling domestic demand in forestry products is also attributed to a decline in forestry production. According to a report provided by the Russian Forestry Council of Producers and Exporters, currency returns from forestry exports in 2008 declined by 7.6 percent in comparison with that of 2007. However, the total value of wood products imports increased by 25 percent in 2008 over that of 2007. This increase is mainly attributed to climbing prices of wood products, particularly for wood boards and furniture. Imports in other wood categories have decreased as a result of a weakening domestic demand.

During the first quarter of 2009, forestry production cooled in all wood categories, but mostly in logging which dropped by 50 percent in some regions. Market analysts believe the trend will continue through 2009, although some improvements are expected as a result of government initiatives and increasing financial support to the industry.

The Deputy Head of the Russian Forestry Agency Dmitriy Giryaev, stated that the federal government allocated 27 billion rubles for target-oriented subsidies to forestry regions, which is a considerable breakthrough compared to that of previous years. Mr. Giryaev also reported that the agency is investing in research centers, selection stations, laboratories, and institutions to educate forestry managers. Dmitriy Giryaev also mentioned that the Russian government and the Deputy Prime Minister Viktor Zubkov, who is in charge of the development of the forestry sector, have been very focused on reviving the forestry industry.

**Table 1: Russia - Export of Wood and Products by Category, million \$, 2006-2008**

HTS	Description	2006	2007	2008	Change 07/08
44 Wood Total		6636,831	8848	7787	-11,99
4403	Rough,Not Sapwood	3259,061	4137	3494	-15,55
4407	Lumber > 6Mm Thick	2312,356	3239	2823	-12,85
4412	Plywood,Veneer,Etc	556,085	757	755	-0,26
4411	Fibrbrd Of Wd/Ot Lign	114,541	156	144	-7,83
4401	Fuel In Log;Chips,Etc	76,692	100	136	35,47
4418	Blders'Joinry+Carpntr	86,753	141	123	-13,34
4410	Particle+Simlr Board	62,383	108	95	-11,66
4421	Othr Articles Of Wood	43,516	59	59	0,76
4409	Tongued,Grooved	30,168	42	45	6,11
4406	Sleeper(Cross-Ties)	27,948	27	43	62,2
	Veneer Sheet<6Mm Thck	14,310	20	29	43,25
4419	Tableware+Kitchenware	3,833	3	16	366,85
4415	Pack,Etc;Pallet,Collr	6,061	10	10	-4,26
4420	Marqtry Et;Jwl Cse Et	36,174	38	9	-77,78
	Wood Wool;Wood Flour	1,568	2	2	16,38
4416	Cask,Barr,Vat,Etc+Pts	1,507	3	2	-29,3
4402	Wood Charcoal	1,697	2	1	-32,22
	Tool/Tl+Broom Body,Et	0,863	1	1	-23,82
4417		0,863	1	1	-23,82
4404	Hoopwood;Pickets,Etc	0,917	1	1	-3,64
4413	Densfd Blk/Plt/Str/Pr	0,343	0	0	-22,68
4414	Frme F Paint,Phot,Etc	0,055	0	0	-11,78

Source: Russia Customs Committee

**Table 2: Russia - Export of Wood and Products by Category, million \$, Jan.-June 2007-2009**

HTS	Description	2007	2008	2009	Change
44 Wood Total		4429,328	4231	2607	-38,38
4407	Lumber > 6Mm Thick	1632,925	1505	1196	-20,52
4403	Rough,Not Sapwood	2130,960	1946	917	-52,89

4412	Plywood,Veneer,Etc	350,737	426	230	-46,07
4401	Fuel In Log;Chips,Etc	41,951	61	82	33,36
4411	Fibrbrd Of Wd/Ot Lign	65,576	72	42	-42,03
4410	Particle+Simlr Board	46,627	44	39	-11,85
4418	Blders'Joinry+Carpntr	65,721	63	38	-39,22
4421	Othr Articles Of Wood	26,664	32	18	-42,81
4409	Tongued,Grooved	18,760	23	13	-43,63
4408	Veneer Sheet<6Mm Thck	9,284	16	12	-23,84
4406	Sleeper(Cross-Ties)	11,717	24	11	-54,98
4415	Pack,Etc;Pallet,Collr	4,379	5	3	-42,66
4420	Marqtry Et;Jwl Cse Et	17,887	4	3	-31,71
4419	Tableware+Kitchenware	2,012	6	1	-78,61
4402	Wood Charcoal	0,772	1	1	13,31
4404	Hoopwood;Pickets,Etc	0,340	0	1	74,94
4405	Wood Wool;Wood Flour	0,861	1	1	-51,45
4416	Cask,Barr,Vat,Etc+Pts	1,318	1	0	-58,63
4417	Tool/Tl+Broom Body,Et	0,619	0	0	-12,63
4413	Densfd Blk/Plt/Str/Pr	0,198	0	0	-23,82
4414	Frme F Paint,Phot,Etc	0,020	0	0	56,01

Source: Russia Customs Committee

**Table 3: Russia - Import of Wood and Products by Category, in million \$, Jan.-June 2007-2009**

HTS	Description	2007	2008	2009	Change 08/09
44					
Wood		301,689	466,0	265,9	-42,95
4411	Fibrbrd Of Wd/Ot Lign	89,342	163,2	79,0	-51,61
4418	Blders'Joinry+Carpntr	54,025	100,8	78,9	-21,78
4410	Particle+Simlr Board	79,584	94,2	37,8	-59,88
4421	Othr Articles Of Wood	17,525	22,9	18,0	-21,66
4408	Veneer Sheet<6Mm Thck	15,469	16,6	15,3	-7,72
4409	Tongued,Grooved	9,204	20,1	11,0	-45,22
4420	Marqtry Et;Jwl Cse Et	4,351	5,6	5,3	-4,69
4407	Lumber > 6Mm Thick	3,964	5,7	5,2	-8,65
4412	Plywood,Veneer,Etc	15,491	19,3	4,5	-76,79
4419	Tableware+Kitchenware	4,198	6,2	4,4	-28,68

4414	Frme F Paint,Phot,Etc	3,297	3,7	3,0	-18,15
4415	Pack,Etc;Pallet,Collr	1,863	2,8	1,1	-60,93
4401	Fuel In Log;Chips,Etc	0,679	0,7	0,6	-19,06
4402	Wood Charcoal	0,343	1,4	0,5	-66,85
4417	Tool/Tl+Broom Body,Et	0,435	0,5	0,3	-38,97
4405	Wood Wool;Wood Flour	0,225	0,3	0,3	-14,31
4413	Densfd Blk/Plt/Str/Pr	0,416	0,3	0,2	-21,46
4416	Cask,Barr,Vat,Etc+Pts	0,329	0,4	0,2	-55,54
4404	Hoopwood;Pickets,Etc	0,019	0,0	0,2	33765,02
4403	Rough,Not Sapwood	0,930	1,2	0,1	-88,62
4406	Sleeper(Cross-Ties)	0	0,0	0,0	0

Source: Russia Customs Committee

**Table 4: Russia - Import of Wood and Products by Category, in million \$, 2006-2008**

<b>HTS</b>	<b>Description</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Change 07/08</b>
	44 Wood	506,485	744,256	991,714	33,25
4411	Fibrbrd Of Wd/Ot Lign	160,476	212,404	340,196	60,16
4418	Blders'Joinry+Carpntr	85,409	143,829	216,580	50,58
4410	Particle+Simlr Board	145,887	182,307	199,278	9,31
4421	Othr Articles Of Wood	28,645	39,642	49,877	25,82
4409	Tongued,Grooved	15,448	28,491	46,147	61,97
4408	Veneer Sheet<6Mm Thck	17,223	32,178	39,506	22,77
4412	Plywood,Veneer,Etc	15,371	52,362	38,146	-27,15
4420	Marqtry Et;Jwl Cse Et	8,215	10,889	13,820	26,92
4419	Tableware+Kitchenware	7,017	10,632	13,334	25,41
4407	Lumber > 6Mm Thick	6,450	9,095	13,101	44,04
4414	Frme F Paint,Phot,Etc	5,702	8,354	8,133	-2,65
4415	Pack,Etc;Pallet,Collr	4,357	5,008	4,633	-7,49
4402	Wood Charcoal	0,562	1,332	2,055	54,23
4401	Fuel In Log;Chips,Etc	1,265	2,633	1,938	-26,42
4403	Rough,Not Sapwood	1,883	2,182	1,606	-26,4
4417	Tool/Tl+Broom Body,Et	0,527	0,799	0,869	8,85
4416	Cask,Barr,Vat,Etc+Pts	0,482	0,780	0,805	3,24
4413	Densfd Blk/Plt/Str/Pr	1,055	0,812	0,782	-3,63
4405	Wood Wool;Wood Flour	0,455	0,507	0,696	37,24
4404	Hoopwood;Pickets,Etc	0,004	0,019	0,212	991,59
4406	Sleeper(Cross-Ties)	0,054	0	0	0

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Source: Russia Customs Committee